

August 27, 2003

Jim Fulton, Chief, DFD
Office of Surface Mining
1999 Broadway, Suite 3320
P.O. Box 46667
Denver, Colorado 80201-6667

Re: Request for OSM Concurrence, Phase III Bond Release (Gas Wells), Plateau Mining Corporation, Star Point Mine, C/007/0006-BR03A, Outgoing File

Dear Mr. Fulton:

Enclosed please find the Decision Document associated with the Phase III Bond Release at the Star Point Mine. On approval of this request, the bond will remain at the current amount of \$10,581,000. The Division is still awaiting BLM concurrence.

If you have any questions, please feel free to call me at (801) 538-5268.

Sincerely,

Pamela Grubaugh-Littig
Permit Supervisor

an
Enclosure
cc: Price Field Office
Johnny Pappas w/o
O:\007006.STP\FINAL\Req_BR03Aosmconcurrence.doc

**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT**

**For
Phase III Bond Release**

**Plateau Mining Corporation
Star Point Mine
C/007/006
Carbon County, Utah**

August 27, 2003

CONTENTS

- * Administrative Overview
- * Chronology
- * Findings and Recommendation for Phase III Bond Release
- * Technical Analysis
- * Affidavits of Publication
- * Phase III Bond Release Inspection Report
- * BLM Concurrence Letter (Pending)

ADMINISTRATIVE OVERVIEW

Plateau Mining Corporation
Star Point Mine
C/007/006
Carbon County, Utah

August 27, 2003

ACTION

Phase III bond release is requested for 5.46 acres of the Star Point Mine for two operating Phillips Petroleum gas wells. The request is for a reduction in the disturbed area but no reduction in the bond.

BACKGROUND

Star Point Mines

Coal mining started in 1917. The Lion Coal Company operated Wattis No. 1 and 2 mines until the end of 1963. There were no coal mining activities from 1964 through 1967. Plateau Mining, Ltd. operated the Star Point No. 1 mine in the Hiawatha Coal Seam, which was not mined by the Lion Coal Company, and the Star Point No.2 Mine in the Wattis Coal Seam, previously known as the Wattis No. 1 Mine, from 1967 through the fall of 1971. United Nuclear Corporation acquired the Star Point Mines in the fall of 1971. Modernization of the coal mine started when the Lions Deck Portal Area was expanded in October 1977. United Nuclear Corporation operated the mine until July 21, 1980. Plateau Mining Corporation (PMC) operated the Star Point mine until February 2000. PMC completed the portal seals in December 2000.

With the decision to seal the mine, PMC began reclamation activities. Mud Water and Corner Canyon were reclaimed in the fall of 2000. The Silo area, No. 1 Mine Area and Road were reclaimed in 2001. Reclamation of the Lions Deck, Overland Conveyor, and Main Channel Area was completed in 2002. The Refuse Pile and associated area was sold to Sunnyside Cogeneration Associates (SCA) on January 31, 2002. SCA currently has an application before the Division to permit the Refuse Pile and associated area. SCA's interest in the Refuse Pile is as a fuel source for their cogeneration power plant located in Sunnyside, Utah.

The Star Point Mine is located on Gentry Mountain approximately 23 miles southwest of Price, Utah on the east side of the Wasatch Plateau Coal Field. Mining operations began in 1916 when the Wattis Brothers and Mr. Browning bought 160 acres from the United States and developed the property for coal production.

The current permittee is Plateau Mining Corporation, owned by RAG American Coal Holding Inc. changed from Cyprus Plateau Mining Corporation in 1999. Historically, the Star Point #2 Mine developed coal resources in the Hiawatha, Third, and Wattis seams by the room and pillar, and longwall mining methods with an annual production of 1 to 3 million tons.

The mine went into permanent cessation on June 5, 2000. Reclamation was 98% complete on December 19, 2002. The road and some drill hole reclamation still needs to be completed.

CHRONOLOGY FOR PHASE III BOND RELEASE

Plateau Mining Corporation
Star Point Mine
Carbon County, Utah
C/007/006

August 27, 2003

January 24, 2002	PMC sent letters to local governments, and property owners of proposed Phase III Bond Release: Mr. Randy Scott, Sunnyside Cogeneration Association. Ms. Elaine Zieroth, Manti-La Sal National Forest. Mr. William D. Krompel, Carbon County Commissioner. Mr. Mark Mackiewicz, Bureau of Land Management.
January 29, 2003	PMC submits Phase III Bond Release application to the Division for Oil and Gas Development at the Star Point Mine.
February 6, 13, 20, & 27, 2003	Phase III Bond Release published in the <u>Sun Advocate</u> .
April 1, 2003	Division sent letters of invitation to April 15, 2003 Phase III Bond Release inspection: Mr. Johnny Pappas, Plateau Mining Corporation. Mr. Randy Scott, Sunnyside Cogeneration Association. Ms. Elaine Zieroth, Manti-La Sal National Forest. Ms. Pat Gubbins, Bureau of Land Management. Mr. James Fulton, Office of Surface Mining. Mr. William D. Krompel, Carbon County Commissioner. Mr. Weston Hamaker, Private Land Owner. Mr. Scott Stella, Private Land Owner.

April 15, 2003 Phase III Bond Release Inspection held at the Star Point Mine. Persons in attendance:

Johnny Pappas, Plateau Mining Corporation.
Karl R. Houskeeper, Division of Oil, Gas and Mining.
Priscilla Burton, Division of Oil, Gas and Mining.
Wayne Western, Division of Oil, Gas and Mining.

March 27, 2003 Closing date for the Public Comment period. No comments received.

PHASE III BOND RELEASE FINDINGS

Plateau Mining Corporation
Star Point Mine
C/007/006
Carbon County, Utah

August 27, 2003

SUMMARY OF FINDINGS

The requested bond release is for 5.46 acres. The Phase III Bond Release was advertised for four consecutive weeks in the Sun Advocate ending on February 27, 2003. No comments were received during the public comment period. A bond release inspection was conducted on April 15, 2003. No problems were identified. BLM concurrence is pending.

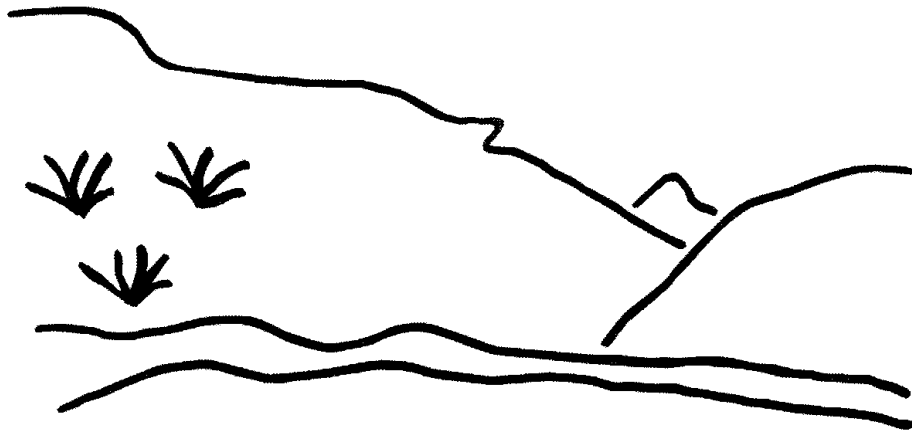
PHASE III BOND RELEASE RECOMMENDATION

The Permittee has demonstrated the establishment of the Post Mining Land Use (industrial). Phillips Petroleum has constructed two gas wells on the 5.46 acres of land and are operating. There were no water rights, grazing rights, or coal leases associated with the post mining land use change. PMC is not requesting a bond reduction for the 5.46 acres for this Phase III Bond Release.

On approval of this request, the bond total will remain at \$10,581,000. The permit area will be reduced from 9084 acres to 9,072.23 acres and the disturbed area will be reduced from 213.4 to 207.94 acres for the Star Point Mine.

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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Star Point Mine
Phase III Bond Release at Oil and Gas Wells
C/007/006-BR03A
Technical Analysis
March 25, 2003

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TECHNICAL ANALYSIS

The Division regulates the Surface Mining Control and Reclamation Act of 1977 (SMCRA). When mines submit a Permit Application Package or an amendment to their Mining and Reclamation Plan, the Division reviews the proposal for conformance to the R645-Coal Mining Rules. This Technical Analysis is such a review. Regardless of these analyses, the permittee must comply with the minimum regulatory requirements as established by SMCRA.

Readers of this document must be aware that the regulatory requirements are included by reference. A complete and current copy of these regulations and a copy of the Technical Analysis and Findings Review Guide can be found at <http://ogm.utah.gov/coal>

This Technical Analysis (TA) is written as part of the permit review process. It documents the Findings that the Division has made to date regarding the application for a permit and is the basis for permitting decisions with regard to the application. The TA is broken down into logical section headings, which comprise the necessary components of an application. Each section is analyzed and specific findings are then provided which indicate whether or not the application is in compliance with the requirements.

Often the first technical review of an application finds that the application contains some deficiencies. The deficiencies are discussed in the body of the TA and are identified by a regulatory reference, which describes the minimum requirements. In this Technical Analysis we have summarized the deficiencies at the beginning of the document to aid in responding to them. Once all of the deficiencies have been adequately addressed, the TA will be considered final for the permitting action.

It may be that not every topic or regulatory requirement is discussed in this version of the TA. Generally only those sections are analyzed that pertain to a particular permitting action. TA's may have been completed previously and the revised information has not altered the original findings. Those sections that are not discussed in this document are generally considered to be in compliance.

INTRODUCTION

INTRODUCTION

On January 29, 2003, the Permittee submitted a request for Phase III bond release on 5.46 acres. The postmining land use for the 5.46 acres was changed from wildlife and grazing to industrial on September 11, 2002. This land use change allowed two gas wells to be constructed on the site. These two gas wells are currently considered producing wells.

The Permittee has another amendment before the Division to remove 11.77 acres from the permit area. Before this amendment can be approved, the 5.46 acres within the disturbed area boundary must be granted Phase III bond release. The permit reduction amendment will be handled in amendment AM02D. Approval of AM02D is conditional upon approval of this amendment (Phase III Bond Release at Oil and Gas Wells).

RECLAMATION PLAN

RECLAMATION PLAN

MAPS, PLANS, AND CROSS SECTIONS OF RECLAMATION OPERATIONS

Regulatory Reference: 30 CFR Sec. 784.23; R645-301-323, -301-512, -301-521, -301-542, -301-632, -301-731.

Analysis:

Affected Area Boundary Maps

The Permittee does not propose to change the permit or affected areas as part of Phase III bond release. The permit area reduction will be handled in amendment AM02D.

Bonded Area Map

The Permittee shows the bonded areas on Map 321.100h that relates to the Phase III bond release. The Division is able to identify those disturbed areas where bond release is being sought.

Reclamation Backfilling And Grading Maps

Backfilling and grading in the traditional sense did not occur on the areas for which Phase III bond release is being sought. However, earthwork on the site was done to accommodate the alternative postmining land use. The contours for the alternative postmining land use are shown on Map 321.100h.

Reclamation Facilities Maps

The location of the gas wells and utility corridors are shown on Map 542.200c.

Final Surface Configuration Maps

The surface for the alternative postmining land use is shown on Map 542.200c.

Reclamation Monitoring And Sampling Location Maps

Any reclamation monitoring and sampling sites will be administered by the Oil and Gas program.

Reclamation Surface And Subsurface Manmade Features Maps

Map 542.200c shows the location of the gas wells and the utility corridors.

Reclamation Treatments Maps

All treatment facilities will be administered by the Oil and Gas program.

Certification Requirements.

A registered professional engineer has certified all maps.

Findings:

The Permittee has met the minimum requirements for the maps and cross-sections of the reclamation plan.

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

The Permittee has requested Phase III bond release on 5.46 acres. The postmining land use for that land was changed from wildlife to industrial on September 11, 2002. On January 29, 2003, the Permittee submitted an application for Phase III bond release on the 5.46 acres.

RECLAMATION PLAN

Notification

The requirements of R645-301-880.120 are that within 30 days after the application for bond release has been filed; the Permittee will submit a copy of an advertisement. The notice of advertisement will:

- Be placed in a local paper for four successive weeks.
- Contain:
 - The Permittee's name, given as Plateau Mining Company.
 - Permit number, given as C/007/006.
 - Approval date for the permit. The date was not included but the Division believes that there is enough information for the public to be informed of the mining activities.
 - Precise location, location given in Township, Range and Section with map.
 - Number of acres, 5.46 will be granted bond release because that is the area in the disturbed area; however, 11.77 acres will be sought for permit reduction.
 - Type and amount of bond and portion sought for release. The Permittee did not mention this but no bond reduction is being sought.
 - Dates of reclamation work, this is not applicable because of the change to industrial land use.
 - Describe the type of reclamation work, postmining land use changed to industrial.
 - How to contact the Division, the Division's address and other information is given.

Letters

The permittee must send letters to each of the following:

- Adjacent landowners, they are Plateau Mining Company, Sunnyside Cogeneration Associates, United States of America, and Carbon County.
- Planning agencies, no planning agencies in the area.
- Sewage and water treatment authority, none in the area.
- Water Companies, none in the area.

Notarized Statement

The Permittee needs to submit a notarized statement stating that all the reclamation work has been done.

Inspection and Notification

The requirements of R645-301-880.200 are for an inspection and notification of interested parties.

- The Division needs to conduct an inspection.
- Within 60 days, the Division must notify the Permittee, the surety and other interested parties of the Division's decision.

Phase III Bond Release Requirements

- The general requirement for Phase III bond release is that Phase I and Phase II have been completed. However, since the reclamation plan calls for the implementation of an alternative postmining land use, the general requirements do not always apply. Instead of completing Phase I and Phase II, the Permittee has implemented the alternative postmining land use that is industrial. The postmining land use was achieved with the development of two natural gas wells.
- Because the postmining land use is industrial, the Permittee does not have to meet the vegetation requirements of R645-301-357.
- Since the alternative postmining land use is for natural gas production, the Oil and Gas section of the Division will regulate all surface and groundwater quality and quantity issues.
- Because the postmining land use is industrial, the Permittee does not have to meet the requirements of R645-301.
- A detailed demonstration that the approved postmining land use is achieved. The wells are in production and leases and agreements have been signed. The Division made those findings when the postmining alternative land use change was approved.
- Since the area to be released was not undermined, no subsidence will occur.

Form of Bond

The Permittee does not propose to change the form of the bond.

Determination of Bond Amount

The Permittee does not propose to change the amount of the bond at this time. When the Permittee does request a bond reduction, they will have to provide the Division with detailed reclamation cost estimates.

RECLAMATION PLAN

Terms and Conditions for Liability Insurance

The Permittee does not propose to change their insurance.

Findings:

Information provided in the bond release application is not considered adequate to meet the minimum requirements of the regulations. Prior to approval, the permittee must provide the following in accordance with:

R645-301-880.120, The Permittee must give the Division an affidavit of publication for the public notice. Note: the Permittee has agreed to supply the Division this document later.

R645-301-880.130, The Permittee must give the Division a notarized statement that certifies that all reclamation activities have been completed.

R645-301-880.200, The Permittee must meet with the Division and other interested parties on site to conduct a bond release inspection. Note: the Division will contact the Permittee to set up a time to conduct the inspection.

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 4th day of February, 2003, and that the last publication of such notice was in the issue of such newspaper dated the 27th day of February, 2003.

Ken G. Larson

Ken G Larson - Publisher

Subscribed and sworn to before me this 27th day of February, 2003.

Linda Thayne

Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, \$ 517.12



**APPLICATION FOR PHASE III BOND RELEASE
STAR POINT MINE
PLATEAU MINING CORPORATION
PERMIT C/007/006, APPROVED 01/28/92**

Notice is hereby given that Plateau Mining Corporation, P.O. Box 30, 847 Northwest Highway 191, Helper, Utah 84528, a subsidiary of RAG American Coal Company, 999 Corporate Blvd., Luthicum Heights, MD 21090, has filed an application with the Utah Department of Natural Resources, Division of Oil, Gas and Mining pursuant to R645-301-880 for Phase III bond release to Permit C/007/006. The Phase III bond release applies to 5.46 acres of disturbed lands on the approved and achieved land use change for oil and gas development on fee surface within the Drunkards Wash Unit under the provisions of the Utah Coal Mining and Reclamation Act pursuant to R645-301-413.300 of the Utah Coal Program Regulations. The portion of the permit area that is affected is located in Carbon County, Utah and follows:

Township 15 South, Range 8 East, S1&M

Section 10: N1/2NE1/4SE1/4, N1/2NE1/4SW1/4SE1/4, E1/2N1/2NW1/4SW1/4SE1/4, W1/2N1/2NE1/4SE1/4SW1/4, N1/2NW1/4SE1/4SW1/4, R1/2SW1/4SW1/4, a tract or parcel of land lying north of County Road 290 comprising 5.46 acres more or less.



The permit area is shown on the Watts U.S. Geological Survey 7.5-minute map.

The Utah Division of Oil, Gas and Mining will now evaluate the proposal to determine whether it meets all the criteria of the Permanent Program Performance Standards according to the requirements of the Utah Coal Mining Rules.

Written comments, objections and requests for information conferences on this proposal may be addressed to:

Utah Coal Program
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Closing date for submission of such comments, objections and requests for public hearing or information conference on the proposal must be submitted by March 27, 2003. Published in the Sun Advocate February 6, 13, 20 and 27, 2003.

RECEIVED
MAR 21 2003
DIV. OF OIL, GAS & MINING

April 16, 2003

TO: Internal File

THRU: Pamela Grubaugh-Littig, Permit Supervisor

FROM: Karl R. Houskeeper, Lead/Environmental Scientist III

RE: Phase III Bond Release Site Inspection at Gas Wells, Plateau Mining Corporation, Star Point Mine, C/007/006-BR03A

Other Attendees:

Johnny Pappas, Plateau Mining Corporation
Wayne Western, DOGM
Priscilla Burton, DOGM

Date & Time:

The Phase III Bond Release Site Inspection took place on April 15, 2003. The inspection started at approximately 10:00 a.m. and ended at approximately 12:00 p.m.

PURPOSE:

The Phase III Bond Release Site Inspection took place, on April 15, 2003, as required by R645-301-880.200.

OBSERVATIONS:

The Division sent notice of the Phase III Bond Release site inspection at the Star Point Mine on April 1, 2003. The Letter was sent to the following Land Owners and/or Agencies:

- Scott Stella, Adjacent Land Owner
- Weston Hamaker, Adjacent Land Owner
- William Krompel, Carbon County Commissioner
- Pat Gubbins, Bureau of Land Management
- James Fulton, Office of Surface Mining
- Elaine Zieroth, U.S. Forest Service
- Randy Scott, Sunnyside Cogeneration, Adjacent Land Owner
- Johnny Pappas, Plateau Mining Corporation (Permittee)/Land Owner Representative

TECHNICAL FIELD VISIT

On April 15, 2003, 10:00 a.m., the inspection began at the designated meeting place (Junction of Highway 10 that leads to the Star Point mine). The group waited until 10:15 a.m. before going to the Star point Mine. This allowed time for individuals who may be late to join the inspection. The following individuals comprised the group that attended the Phase III Bond Release Site Inspection:

- Karl R. Houskeeper, DOGM
- Johnny Pappas, Plateau Mining Corporation
- Wayne Western, DOGM
- Priscilla Burton, DOGM

The utility corridor leading to the gas wells and the two Gas Wells were examined. The utility corridor has been gouged, seeded, and mulched. This utility corridor contains a gas pipeline, water line, and power line.

The lower gas well consists of a pad area and associated topsoil pile. The topsoil pile and the out slopes of the pad area have been gouged, seeded, and mulched. This area is located where the mine rescue training field was located before the postmining land use change.

The upper gas well consists of a pad area with any topsoil being stored on the out slopes of the pad. The out slopes of the pad have been gouged. Priscilla Burton with the Division of Oil, Gas and Mining expressed concern that the out slopes had not been seeded and mulched. Johnny Pappas with Plateau mining Corporation made arrangements during the inspection with Mark Greenhalgh of Neilson Construction to come in and re-gouge the area and to place seed and mulch on the out slopes of the pad. The seeding and mulching on this site was not completed in 2002 because of winter conditions. This area is located where the coal processing tipple was located before the post mining land use change.

The postmining land use for this area was changed to industrial/commercial. The postmining land use has been achieved. The gas wells are constructed and are currently producing gas from the coal bed methane resources. Phillips Petroleum constructed the gas wells after receiving the proper permits and authorizations.

RECOMMENDATIONS/CONCLUSIONS:

It is recommended that the Phase III Bond Release proceed on the 5.76 acres of land that the two gas well sites and utility corridor occupy.

The operator is not seeking a reduction in the bond at this time, but will address this with the removal of the refuse pile area from the permit area, once a permit is issued to Sunnyside Cogeneration for the refuse pile. The 5.76 acres were part of the disturbed area. The operator would like to pursue removing the 5.76 disturbed area acres and 6.01 acres that were not disturbed from the permit area. The total permit area acreage reduction sought is 11.77 acres.

STAR POINT MINE
PHASE III BOND RELEASE SITE MEETING FOR
POST MINING LAND USE CHANGE
ALLOWING GAS WELLS
APRIL 15, 2003

NAME/AFFILIATION:

PHONE #:

CONCERNS/COMMENTS:

Karl R. Houskeeper
Karl R. Houskeeper / DOGM

(435) 613-5330

John Pappas / PML

(435) 472-4741

Wayne Watson / PML

(801) 538-5263

Paula Carson DOGM

(801) 538-5277

Revegetation of outcrops upper drill site.